

Message Text

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PAGE 01 MADRID 07912 171708Z

63

ACTION EUR-12

INFO OCT-01 ISO-00 NEA-06 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01

NSC-05 SS-15 PRS-01 SAJ-01 AGR-05 /078 W

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R 171600Z DEC 74

FM AMEMBASSY MADRID

TO SECSTATE WASHDC 683

INFO US MISSION USEC BRUSSELS 963

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E.O. 11652: N/A

TAGS: ETRD, EEC, SP

SUBJ: SPAIN-EC RELATIONS

REF: USEC BRUSSELS 9190

1. DISCUSSIONS WITH MFA AND OTHER OFFICIALS HERE INDICATE LITTLE OR NO INTEREST AT THIS TIME IN RESUMING TRADE NEGOTIATIONS WITH EEC. FOLLOWING NOV 20-21 TALKS, SITUATION IS SEEN AS A VIRTUAL STALEMATE. WHILE THERE IS SOME CONCERN THAT AGREEMENTS BETWEEN THE COMMUNITY AND OTHER MEDITERRANEAN COUNTRIES COULD PUT SPAIN AT COMPETITIVE DISADVANTAGE ON CERTAIN PRODUCTS, THE SPANISH SEEM CONTENT TO TAKE THEIR CHANCES RATHER THAN OPEN THEIR MARKET TO EC INDUSTRIAL PRODUCTS AT WHAT THEY CONSIDER A PRECIPITOUS RATE. THE UNCERTAIN WORLD ECONOMIC PICTURE, WHICH IS AT LAST CLEARLY BEGINNING TO BE FELT IN SPAIN, IS A FURTHER FACTOR MAKING THE SPANISH CAUTIOUS ABOUT ANY MAJOR ECONOMIC VENTURES AT THIS TIME.

2. SPAIN RECOGNIZES THAT ABSENCE OF NEW AGREEMENT MAY HAVE SOME NEGATIVE EFFECTS ON AGRICULTURAL EXPORTS,
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PAGE 02 MADRID 07912 171708Z

PARTICULARLY TO UK, BUT CONSIDERS THESE UNLIKELY TO BE OF

MAJOR CONSEQUENCES. AGRICULTURAL EXPORTS TO THE NINE ARE WELL BELOW 40 PERCENT OF TOTAL SPANISH EXPORTS TO THOSE COUNTRIES, AND EVEN TO UK AGRICULTURAL EXPORTS COMPRISE LESS THAN 50 PERCENT OF TOTAL SPANISH EXPORTS TO THAT COUNTRY (\$133 MILLION OR 41 PERCENT FOR FIRST SIX MONTHS OF 1974). SPAIN'S AGRICULTURAL EXPORTS TO EC ARE ABOUT 17-18 PERCENT OF WORLDWIDE EXPORTS WHILE AGRICULTURAL EXPORTS TO UK ARE AROUND 4 PERCENT OF WORLDWIDE EXPORTS. THESE MARKETS ARE IMPORTANT BUT ARE NOT ABSOLUTELY CRUCIAL, AND IN ANY CASE THE SPANISH FEEL THAT FOR THE NEXT YEAR OR TWO AT LEAST, THE ABSENCE OF A NEW ACCORD WILL AFFECT THEIR AGRICULTURAL EXPORTS ONLY marginally.

3. A FINAL FACTOR IN SPAIN'S WAIT-AND-SEE ATTITUDE IS IMPLICIT IN THE UNCERTAIN DOMESTIC POLITICAL PICTURE HERE. THE POSSIBILITY OF A MAJOR POLITICAL CHANGE COMING AT ANY TIME NO DOUBT HAS MANY OFFICIALS THINKING THERE MAY BE MUCH TO BE GAINED BY A DELAY OF PERHAPS 6 MONTHS TO A YEAR. A MORE LIBERAL SPANISH GOVERNMENT, SHOULD THERE BE ONE, WOULD, IT IS FELT, STAND TO GET A BETTER RECEPTION FROM THE EEC.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, POLICIES, FOREIGN TRADE, NEGOTIATIONS, RELATIONS WITH REGIONAL ORGS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MADRID07912
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740367-0169
From: MADRID
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741229/aaaaayvi.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 USEC BRUSSELS 9190
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2002 by boyleja>; APPROVED <24 MAR 2003 by ElyME>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPAIN-EC RELATIONS
TAGS: ETRD, SP, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005